

Message Text

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ACTION STR-07

INFO OCT-01 ARA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
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AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 AF-10 EA-10 EUR-12 NEA-11 OIC-02
/169 W

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P 191234Z MAY 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC PRIORITY 7586
INFO USMISSION GENEVA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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DEPT PASS ELECTRONICALLY STR FOR AMB WOLFF
DEPT PASS TREASURY FOR ASST SECY BERGSTEN

GENEVA FOR USMTN

EO 11652: N/A
TAGS: ETRD, MTN, BR
SUBJ: FURTHER PRESS COMMENTARY ON US-BRAZIL SUB-GROUP ON TRADE
SESSIONS AND ASST. SECRETARY BERGSTEN'S SPEECH ON US-BRAZIL
TRADE RELATIONS

REFS: A. BRASILIA 3919, B. BRASILIA 3920, C. BRASILIA 3738
D. BRASILIA 3794

1. SUMMARY. REFS A AND B COVERED BRAZILIAN PRESS REACTION THROUGH
MAY 12 TO US-BRAZIL SUB-GROUP ON TRADE MEETINGS IN BRASILIA
MAY 8 -9 AND ASST. SECRETARY BERGSTEN'S MAY 9 NEW YORK
SPEECH ON US-BRAZIL TRADE RELATIONS. THERE HAVE BEEN TWO SIGNIFICANT
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DEVELOPMENTS SINCE THEN. FIRST, A MOJOR NEWSPAPER
CARRIED A STORY STATING THAT GOB FINANCE MINISTER HAD TOLD
AMB WOLFF AT THEIR MEETING THAT HE MIGHT WITHDRAW BRAZIL'S
MTN DELEGATION IF THE US DID NOT LET BRAZIL PARTICIPATE IN THE
ELABORATION OF A NEW SUBSIDIES/CVD CODE AT AN EARLY STAGE,
WHILE DISCUSSIONS WERE IN PROGRESS WITH THE EC. THIS STORY
WAS LATER DENIED BY SIMONSEN. SECOND, A NUMBER OF UPBEAT

ARTICLES ON US-BRAZIL TRADE RELATIONS RESULTED FROM A MAY 12 EMBASSY PRESS BRIEFING; THESE STORIES TENDED TO COUNTER THE SPATE OF NEGATIVE ARTICLES WHICH HAD RESULTED FROM HASTY REACTION TO INCOMPLETE KNOWLEDGE OF ASST. SECRETARY BERGSTEN'S MAY 9 SPEECH (REF B). END SUMMARY.

2. A MOST SIGNIFICANT -- AND IN OUR VIEW DISTURBING -- ARTICLE APPEARED IN MAY 14 JORNAL DO BRASIL. ARTICLE WAS HEADLINED "BRAZIL THREATENS TO WITHDRAW FROM GATT MEETINGS", AND REPORTED THAT DURING AMB. WOLFF'S MEETING WITH FINANCE MINISTER SIMONSEN (REF C), SIMONSEN EXPRESSED IRRITATION WITH THE US POSITION ON THE NEGOTIATION OF THE SAFEGUARDS AND SUBSIDIES/CVD CODES AND STATED THAT BRAZIL MIGHT WITHDRAW FROM THE MTN. ACCORDING TO THE ARTICLE, WHICH CITED AN ANONYMOUS FINANCE MINISTRY SOURCE, SIMONSEN ACCUSED THE US OF WANTING TO NEGOTIATE THESE CODES INITIALLY ONLY WITH THE EC AND JANPAN, AND HE STATED THAT BRAZIL INSISTED ON IMMEDIATE PARTICIPATION IN THESE DISCUSSIONS. SIMONSEN ALSO, THE ARTICLE ALLEGED, THIS MADE IMMEDIATE PARTICIPATION IN THE CODE NEGOTIATIONS ON PREREQUISITE FOR ANY EVENTUAL BRAZILIAN TARIFF CONCESSIONS.

3. MAY 14 O GLOBO CARRIED A SIMILAR STORY, BUT WITH THE CRITICAL DIFFERENCE THAT IN ITS VERSION SIMONSEN DID NOT THREATEN TO PULL BRAZIL'S DELEGATION OUT OF THE MTN, BUT RATHER EXPRESSED "WITH TOTAL FRANKNESS" THAT BRAZIL'S MOST IMPORTANT MTN OBJECTIVE WAS THE ELABORATION OF A SUBSIDIES/CVD CODE UNDER WHICH BRAZIL'S LIMITED OFFICIAL USE

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EXPORTS COULD ONLY BE COUNTERVAILED AFTER (1) A DAMAGE DETERMINATION WAS MADE ACCORDING TO INTERNATIONALLY ESTABLISHED AND ACCEPTED STANDARDS, AND (2) IT WAS DETERMINED THAT THIS DAMAGE WAS DIRECTLY RELATED TO IMPORTS. THE ARTICLE WENT ON TO EXPLAIN THAT BRAZIL HAD NOT HAD THE OPPORTUNITY TO DISCUSS THIS CODE WITH THE US AT GENEVA, AND SAID THAT GOB OFFICIALS BELIEVED THAT THE US WAS TRYING TO KEEPT THE ELABORATION OF THE SUBSIDIES/CVD CODE A RESTRICTED MATTER TO BE PRESENTED AT THE LAST MINUTE AND RAMMED THROUGH WITHOUT DEBATE.

4. TWO DAYS LATER, MAY 16 THE PRESS CARRIED WHAT AMOUNTED TO A DENIAL OF THE MAY 14 JORNAL DO BRASIL ACCOUNT OF THE OWLFF-SIMONSEN MEETING. ESTADO DE SAO PAULO QUOTED SIMONSEN AS SAYING THAT HIS MEETING WITH AMB WOLFF WAS "FAIRLY FRANK" BUT "AT NO TIME DID

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P 191234Z MAY 78

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 7587

INFO USMISSION GENEVA

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(SIMONSEN THREATEN TO WITHDRAW THE BRAZILIAN DELEGATION FROM GENEVA." THE ARTICLE CONTINUED THAT WHILE SIMONSEN AND WOLFF DISCUSSED THE PROBLEM THE US HAD WITH BRAZIL'S EXPORT SUBSIDIES, THIS DISCUSSION WAS FAIRLY TECHNICAL AND RATHER POSITIVE IN TONE, WITH SIMONSEN STRESSING THE GOB POSITION ON DAMAGES AND SUGGESTING THAT DISPUTES IN THIS AREA COULD BE TAKEN TO A SPECIAL GATT TRIBUNAL.

5. COMMENT. IT IS STILL UNCLEAR TO US WHY AN APPARENTLY AUTHORITATIVE SOURCE AT THE FINANCE MINISTRY CHOSE TO LEAK SUCH AN OBVIOUSLY AND MALICIOUSLY FALSE VERSION NOT ONLY OF THE WOLFF-SIMONSEN MEETING BY OF THE US ATTITUDE IN REGARD TO BRAZIL'S PARTICIPATION IN THE CODES NEGOTIATIONS AS WELL.
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WHILE THE MAY 16 ESTADO DE SAO PAULO ARTICLE SET THE RECORD STRAIGHT REGARDING SIMONSEN'S ALLEGED THREAT TO "WALK-WOUT" OF THE MTN, UNFORTUANTELY THERE WES NO CORRECTION OF THE MORE BASIC ISSUE OF THE ELABORATION OF A NEW SUBSIDIES/CVD CODE. DISCUSSIONS WITH THE BRAZILIANS ON THIS SUBJECT DURING THE SUB-GROUP SESSIONS WERE UNEQUIVOCAL REGARDING THE US DESIRE FOR

BRAZIL TO PARTICIPATE ACTIVELY IN THE ELABORATION OF ALL CODES, AND BRAZIL WAS EQUALLY CLEAR IN STATING ITS DESIRE TO PARTICIPATE AND NOT BE PRESENTED WITH A FAIT ACCOMPLI AT THE LAST MINUTE (REF D)M ONE THEORY ON THE ORIGIN OF THE JORNAL DO BRASIL ARTICLE IS THAT SOME HIGH FINANCE MINISTRY OFFICIAL MAY HAVE BEEN DISTRESSED OVER THE GENERALLY POSITIVE TONE OF LOCAL PRESS REPORTING ON THE SUB-GROUP SESSIONS, AND WANTED TO MAKE IT CLEAR THAT THERE WAS STILL MUCH DIFFICULT NEGOTIATING LEFT TO DO IN THE MTN. ALSO THE LEAK MAY HAVE BEEN RELATED TO BUREAUCRATIC POLICITS WITHIN THE GOB AND AIMED AT SHOWING THE FINANCE MINISTRY IS STEADFASTLY DEFENDING BRAZIL'S INTERESTS. END COMMENT.

6. THERE WERE ALSO NUMEROUS ARTICLES IN THE MAY 13-16 PRESS BASED ON PRESS BACKGROUND BRIEFING GIVEN AT USICA REQUEST BY THE EMBASSY ON MAY 12. THE BRIEFING WAS INTENDED TO GIVE A BROAD VIEW OF US TRADE POLICY IN LIGHT OF THE SUB-GROUP SESSIONS AND STRESS THE PROGRESS MADE IN THE TALKS: TO PUT ASST. SECRETARY BERGSTEN'S SPEECH IN THE PROPER CONTEXT, SO AS TO MITIGATE THE BRAZILIA MEDIA'S HOSTILITY WHICH HAD DESCRIBED THE BERGSTEN SPEECH AS A NEW US THREAT; AND COUNTER NEWS ACCOUNTS WHICH CONTRASTED BERGSTEN'S ALLEGEDLY HARSH APPROACH WITH WHAT WAS CHARACTERIZED AS AMBASSADOR WOLFF'S SOFT APPROACH DURING THE SUB-GROUP MEETINGS (WHICH HAS GIVEN RISE TO THE CHARGE THAT THE US WAS BEING "TWO-FACED"). THE BRIEFING APPEARS TO HAVE SUCCEEDED, AS THE TONE OF PRESS ARTICLES IN MAY 13 O GLOBO, JORNAL DO BRAZIL, GAZETA MERCANTIL, AND FOLHA DE SAO PAULO, AND ESTADO DE SAO PAULO OF MAY 14, REFLECTED THE US POSITION

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THAT THE SUB-GROUP SESSIONS HAD BEEN POSITIVE.

7. THE PAPERS REPORTED FACTUALLY THAT THE US CANNOT ACCEPT THE CONTINUATION OF BRAZIL'S CURRENT PROTECTIONISM AND IS PRESSING FOR ITS REDUCTION, ALTHOUGH A GRADUAL ONE. THEY ALSO REPORTED (O GLOBO UNDER THE HEADLINE "NEW US NEGOTIATING POSITION WITH BRAZIL") THAT THE US HAS ALL BUT OFFICIALLY ACCEPTED THE PRINCIPLE OF PROOF OF INJURY BEFORE COUNTERVAILING DUTIES ARE APPLIED. FOLHA AND O GLOBO NOTED THAT POSSIBLE US TARIFF REDUCTIONS COULD AVERAGE 25 PERCENT FOR DEVELOPING COUNTRIES, WHILE BRAZIL MIGHT BE ABLE TO BENEFIT TO EXTENT OF A POSSIBLE 45 - 50 PER CENT. US SYMPATHY FOR THE GOB'S BALANCE OF PAYMENTS PROBLEM WAS EMPHASIZED BY O GLOBO, WHICH TOGETHER WITH GAZETA MERCANTIL ALSO NOTED THAT WHILE THE US DOES NOT EXPECT FULL BRAZILIAN RECIPROCITY FOR US CONCESSIONS, IT DOES EXPECT THE GOB TO MAKE SOME TANGIBLE OFFERS

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IN RETURN FOR THEM.

8. ALL PAPERS (FOLHA AT GREATEST LENGTH) REPORTED THE US EMBASSY SOURCE AS HAVING CHARACTERIZED THE 5TH MEETING OF THE SUB-GROUP ON TRADE AS THE MOST PRODUCTIVE OF THE SERIES SO FAR, MAINLY BECAUSE THE DISCUSSIONS WERE MORE SPECIFIC AND CONCRETE THAN HERETOFORE, STATEMENTS THAT WERE REPEATED BY O GLOBO ON MAY 16 UNDER THE HEADLINE "BRAZIL AND US MAY REACH AGREEMENT ON GATT." O ESTADO DE SAO PAULO AND FOLHA REPORTED THE EMBASSY SOURCE AS SAYING THAT IMPORTANT ADVANCES HAD BEEN MADE IN THE NEGOTIATIONS, AND THAT ON THIS BASIS THE USG WAS OPTIMISTIC ABOUT THE SUCKCESS OF FUZURE MEETINGS.

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9. ON THE BERSTEN SPEECH, THE PAPERS PLAYED UP THE POINTS (JORNAL DO BRAZIL UNDER THE HEADLINE: "US EMBASSY DENIES DOUBLE-GAME") EMPHASIZED IN THE BRIEFING: THAT A COMPARISON OF ASST SECRETARY BERGSTEN'S MAY 9 SPEECH WITH HIS SAO PAULO

SPEECH LAST DECEMBER SHOWS NOT DIFFERENCES IN POLICY; THAT BOTH TEXTS REFLECT THE OFFICIAL USG POINT OF VIEW; AND THAT ASST SECRETARY BERGSTEN'S SPEECHES DO NOT DIFFER IN SUBSTANCE FROM THE STATEMENTS THAT AMBASSADOR WOLFF MADE DURING HIS STAY IN BRASILIA.(THE NEWSMEN WERE GIVE TEXTS OF BOTH BERGSTEN SPEECHES, TOGETHER WITH A SPEECH DELIVERED BY THE ECON/COMM COUNSELOR IN SALVADOR ON APRIL 27).

10. THE MAY 16 ESTADO DE SAO PAULO ARTICLE (SEE PARA 4) CARRIED SIMONSEN'S DEFINITIVE INTERPRETATION OF ASST SECRETARY BERGSTEN'S SPEECH. ACCORDING TO THE ARTICLE, SIMONSEN THOUGHT THAT BERGSTEN'S SPEECH WAS "DISTORTED BY THE NEWS SERVICES, WHICH DID NOT PROVIDE A GLOBAL VISION OF BERGSTEN'S THESIS. THE ARTICLE REPORTS THAT AFTER READING THE COMPLETE TEXT OF ASSISTANT SECRETARY BERGSTEN'S SPEECH, SIMONSEN HAD CONCLUDED THAT BERGSTEN WAS NOT MAKING THREATS AT BRAZIL BUT RATHER ASKING BRAZIL TO ASSUME RESPONSIBILITIES COMMENSURATE WITH ITS NEW POSITION IN THE WORLD ECONOMY.

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